GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:6590
ANSWERED ON:09.05.2002
COST OF PRODUCTION OF CRUDE
RENUKA CHOWDHURY

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether all off shore installations of the ONGC and other oil exploration companies engaged in offshore explorations are to be treated as part of domestic tariff area (DTA) as a result of the recent Government decision to bring the entire exclusive economic zone (EEZ) and continental shelf under the jurisdiction of the Customs Act, 1962; (

(b) if so, the extent to which it will affect the cost structure of the crude production of ONGC and other engaged in offshore exploration companies; and (

(c) the manner in which cost of production of crude by them would compare with international crude production?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS AND MINISTER OF STATE IN THE MINIS
PARLIAMENTARY AFFAIRS (SHRI SANTOSH KUMAR GANGWAR)

(a): Yes, Sir. The Government has issued a Notification No. 157 on 7.2.02 under clause (a) of Sub-section (6) of Section 6 and clause (a) of sub-section (7) of Section 7 of the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976(80 of 1976) extending the Customs Act, 1962 and Customs Tariff Act, 1975 to the continental shelf and the exclusive economic zone of India with effect from the date of publication of the notification in the Official Gazette i.e. 11.2.2002.

(b) & (c): The cost of production of crude oil and natural gas depends amongst other factors on the fiscal regime, comprising royalty, customs duty etc. In the offshore areas, while Oil and Natural Gas Corporation Ltd. (ONGC) is liable to pay the applicable customs duty on procurements for its areas allotted on nomination basis, no customs duty is payable on procurements by the Contractors under the Production Sharing Contracts for exploration blocks and discovered fields.Customs duty is a dynamic factor and its impact on ONGC`s costing can not be assessed in advance.The operating cost of producing crude oil and natural gas by Indian companies, including ONGC, is comparable with international costs in this regard.